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FISCAL IMPACT STATEMENT

LS 6423

BILL NUMBER: HB 1039

NOTE PREPARED: Dec 9, 2010

BILL AMENDED:

SUBJECT: Nanotechnology Initiative.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the award of grants or loans from the Indiana Twenty-First Century Research and Technology Fund to support proposals for economic development in nanotechnology. It provides a personal property tax exemption for certain nanotechnology equipment.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Twenty-First Century Research and Technology Fund:* This bill adds nanotechnology to the list of areas of investment that may receive grants or loans from the Twenty-First Century Research and Technology Fund. Currently, the fund may provide investments to companies engaged in biomedical research and biotechnology, information technology, development of alternative fuel technologies, development and production of fuel-efficient vehicles, and other high-technology industry clusters requiring high-skill, high-wage employees. The purpose of the fund is to provide financial assistance to Indiana technology-based companies so that they can transition from early-stage research to product development.

In FY 2010, the fund provided grants totaling approximately \$12.65 M to 12 Indiana companies. The fund was created in 1999, and in 2005 the IEDC began to oversee the fund. There has been a total of approximately \$238 M in funds invested in 188 projects since 1999.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would provide an exemption from property taxes for

nanotechnology equipment. The exemption would apply to equipment that is directly related to nanotechnology research and to equipment that is primarily used in a project, program, or business based on nanotechnology.

The exemption would be available for existing, as well as new, nanotechnology equipment. The amount of assessed value to be exempted is indeterminable at this time. Regarding existing equipment, the property tax exemption would reduce the current tax base and shift property taxes to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable at this time.

If there is an increase in development because of this provision, new property that doesn't qualify for the exemption could be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the exemption, then the exemption would negate the shift of the property tax burden from all taxpayers to the owners of the new qualified property.

The combination of a reduction in assessed values and an increase in the tax rate makes it likely that the property taxes of more taxpayers would rise above the applicable tax cap. This could potentially increase the amount of circuit breaker credits. As a result, total local revenues would probably decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected:

Local Agencies Affected: Township and county assessors; Civil taxing units and school corporations.

Information Sources: Indiana Economic Development Corporation, *Twenty-First Century Research and Technology Fund: Ninth Report to the Indiana General Assembly*, July 1, 2009-June 30, 2010.

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